

**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

MARC SPITZER, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES

In the matter of:

Docket No. S-03561A-04-0000

PARKLANE INTERNATIONAL  
CORPORATION  
1985 Queens Avenue  
Vancouver, British Columbia  
Canada V7V2X8

## TEMPORARY ORDER TO CEASE AND DESIST AND NOTICE OF OPPORTUNITY FOR HEARING

**SYNDICATED GOLD DEPOSITORY S.A.**  
Fort Nassau Centre-West Wing  
Malborough St., Suite N-4875  
Nassau, Bahamas

Respondents.

**NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY**

## EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING

**EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”) alleges that RESPONDENTS PARKLANE INTERNATIONAL CORPORATION and SYNDICATED GOLD DEPOSITORY S.A. engaged in or are about to engage in acts and practices that constitute violations of A.R.S. § 44-1801, *et seq.*, the Arizona Securities Act (“Securities Act”) and that the public welfare requires immediate action.

**I.**

**JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

**II.**

**RESPONDENTS**

2. Respondent Parklane International Corporation ("PIC") is a Canadian company, located at 1985 Queens Avenue, Vancouver, British Columbia, Canada V7V2X8.

3. Respondent Syndicated Gold Depository S.A. ("SGD") is a Bahamian registered corporation, located at Fort Nassau Centre-West Wing, Malborough St., Suite N-4875, Nassau, Bahamas.

4. Respondents may be collectively referred to as "Respondents."

**III.**

**FACTS**

**The Investment Program**

5. Respondents have, directly or indirectly, offered securities for sale, in or from the state of Arizona. PIC has solicited investors to invest their money into an investment program operated by SGD. Investors enter into a written contract with SGD to invest between \$10,000 to \$500,000 with it. SGD will allegedly pay investors a return of 19.5% on their investment. Respondents claim that SGD will use the money it raises from investors to loan to a mining company for that company to use as capital. SGD will then pay investors their returns from the profits it earns from the mining company.

6. Respondents have informed investors that SGD has entered into an agreement with Merendon De Honduras, S.A. de C.V. ("Merendon") and Merendon Mining Corp. Ltd. of Canada

1 (“Merendon-Canada) to provide capital. Merendon is alleged to be a wholly own subsidiary of  
2 Merendon-Canada. This capital is to be used to purchase gold and silver by Merendon. According  
3 to Respondents, Merendon owns a gold and metal refinery in Tegucigalpa, Honduras. Respondents  
4 claim that the Merendon refinery refines gold and silver from Central, North and South America.  
5 Although the literature states that there are no mining risks as Merendon processes other producers’  
6 gold, in telephone conversations Respondents told an investor that Merendon owned its own mine  
7 in Honduras.

8  
9 7. Respondents’ sales literature provided to prospective investors states that all funds  
10 SGD places into Merendon will be secured by a collateral bond covering all assets of Merendon,  
11 with SGD passing on this security to the investor. However, Respondents failed to provide  
12 investors with any financial statements in order to determine the risk of their investment or the  
13 amount of collateral of Merendon that would allegedly secure their investment. Investors are told  
14 that they will have no participation in the operation or management of SGD or Merendon.

15  
16 8. Respondents state that the SGD program has been running successfully since 1999.  
17 Respondents claim that they will pay investors 1.5% per month, or 19.5% compounded monthly.  
18 Respondents’ sales literature states that after 25 years of compounding, a \$100,000 investment will  
19 be worth \$8,700,000, with monthly income of \$130,000. Respondents inform investors that they  
20 can afford to pay such returns as Merendon’s profit margins are 10% per each ounce that is refined.

21 **The Offshore Entities**

22  
23 9. Investors are required to organize an International Business Corporation (“IBC”) in  
24 order to make the investment in SGD. Respondents require the IBC to have an offshore bank  
25 account. The IBC is organized by Respondents’ “associates” at an entity known as International  
26 Privacy Corporation. Investors are charged \$4500 to set up the IBC, plus a fee of \$700 per year for

1 maintenance of the IBC. The application and fee is sent to Respondents. The IBC is organized  
2 under the laws of Belize or St. Vincent. Respondents promise that the IBC will be provided to the  
3 investor within three business days. Respondents also charge investors a 5% fee for every  
4 investment.

5 10. Investors are also given the option of investing through their Individual Retirement  
6 Account ("IRA"). In order to do that, investors are required to open an IRA account at a custodian  
7 to be chosen by Respondents, although Respondents do not identify the custodian. Respondents  
8 claim that they have determined a way to maximize returns from the IRA and thus require investors  
9 to set up a LLC in the IRA, to make the investment in SGD. Respondents require a fee of between  
10 \$7000 - \$10,000 to set up the LLC, which is to be organized under the laws of Arizona or Nevada.  
11 Elsewhere, respondents' sales literature states that the LLCs will be set up under the laws of  
12 Arizona or Nevis. Respondents also charge an annual fee of \$200 for the IRA, and a fee of between  
13 \$50 to \$700 to maintain the LLC. Once the LLC is formed, the investor then forms the IBC as  
14 described *supra*, in order to make the SGD investment.  
15

16 11. Respondents also provide applications for an offshore bank account, which they  
17 require the IBC to have in order to make the SGD investment. The application is for the Provident  
18 Bank & Trust of Belize Ltd, where investors are instructed to open the account in the name of the  
19 IBC, with themselves as the general manager.  
20

21 12. On December 24, 2003, the Pennsylvania Securities Commission issued a summary  
22 order to cease and desist against PIC and SGD for violations of the Pennsylvania Securities Act.  
23 Upon information and belief, Respondents did not inform Arizona investors solicited after  
24 December 24, 2003 of that order.  
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26

1           13.     Respondents have offered their investment program in Arizona at least since 2003  
2 and are continuing to offer it to Arizona residents.

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5                                   **IV.**

6                                   **VIOLATION OF A.R.S. § 44-1841**

7                                   **(Offer and Sale of Unregistered Securities)**

8           1.     From on or about 2003, Respondents offered or sold securities in the form of notes  
9 or investment contracts, within or from Arizona.

10          2.     The securities referred to above were not registered pursuant to Articles 6 or 7 of the  
11 Securities Act.

12          3.     This conduct violates A.R.S. § 44-1841.

13  
14                                   **V.**

15                                   **VIOLATION OF A.R.S. § 44-1842**

16                                   **(Transactions by Unregistered Dealers or Salesmen)**

17          4.     Respondents offered or sold securities within or from Arizona while not registered as  
18 dealers or salesmen pursuant to Article 9 of the Securities Act.

19          5.     This conduct violates A.R.S. § 44-1842.

20                                   **VI.**

21                                   **VIOLATION OF A.R.S. § 44-1991**

22                                   **(Fraud in Connection with the Offer or Sale of Securities)**

23          6.     In connection with the offer or sale of securities within or from Arizona,  
24 Respondents directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii) made  
25 untrue statements of material fact or omitted to state material facts which were necessary in order to  
26 make the statements made not misleading in light of the circumstances under which they were  
made; or (iii) engaged in transactions, practices or courses of business which operated or would

1 operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not  
2 limited to, the following:

3 a) Informing investors that they would receive a return of 19.5% on their  
4 investment, while failing to include the costs of the investment in that return, including the  
5 5% upfront fee, the costs of setting up and maintaining an IBC and, if the investor makes an  
6 IRA investment, the costs of setting up and maintaining the LLC and the IRA;

7 b) Failing to provide any financial information regarding Respondents,  
8 Merendon-Canada and Merendon, including disclosure statements, prospectuses or  
9 financial statements including but not limited to past operations, balance sheets,  
10 statements of income, retained earnings, cash flows and uses of proceeds that would  
11 reflect the financial position of these entities;

12 c) Failing to provide full descriptions of any assets or other collateral that  
13 secure the investment, including any evidence that adequate collateral exists to secure  
14 each investors' investment;

15 d) Informing potential investors in sales literature that there are no mining risks  
16 as Merendon processes other producer's gold, while in telephone conversations telling an  
17 investor that Merendon owned its own mine in Honduras therefore giving it a secure  
18 source of gold; and

19 e) Failing to disclose after December 24, 2003, the existence of an order from  
20 the Pennsylvania Securities Commission, finding that Respondents' offerings were  
21 securities and ordering them to stop their sale.

22 7. This conduct violates A.R.S. § 44-1991.

23 **VII**

24 **TEMPORARY ORDER**

25 **Cease and Desist from Violating the Securities Act**

3 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032 and A.A.C. R14-4-307, that the  
4 Respondents, their agents, servants, employees, successors, assigns, and those persons in active  
5 concert or participation with them CEASE AND DESIST from any violations of the Securities Act.

8 IT IS FURTHER ORDERED that this Order shall be effective immediately.

VIII.

12           The Division will request that the Commission grant the following relief against  
13 Respondents:

16                   2.       Order Respondents to take affirmative action to correct the conditions resulting from  
17       their acts, practices or transactions, including a requirement to make restitution pursuant to A.R.S. §  
18       44-2032;

21           4.       Order any other relief that the Commission deems appropriate.

## IX.

Respondents may request a hearing pursuant to A.R.S. § 44-1972 [44-3212] and A.A.C. Rule 14-4-307. **If any respondent or respondent spouse requests a hearing, the respondent must also answer this Temporary Order and Notice.** A request for hearing must be in writing

1 and received by the Commission within 20 days after service of this Temporary Order to Cease and  
2 Desist. Each Respondent must deliver or mail the request for hearing to Docket Control, Arizona  
3 Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007. A Docket Control  
4 cover sheet must also be filed with the request for hearing. A cover sheet form and instructions may  
5 be obtained from Docket Control at (602) 542-3477 or on the Commission's Internet web site at  
6 [www.cc.state.az.us/utility/forms/index.htm](http://www.cc.state.az.us/utility/forms/index.htm).

7 If a request for hearing is timely made, the Commission shall schedule a hearing to begin 10  
8 to 30 days from the receipt of the request unless otherwise provided by law, stipulated by the parties,  
9 or ordered by the Commission. **Unless otherwise ordered by the Commission, this Temporary**  
10 **Order shall remain effective from the date a hearing is requested until a decision is entered.**  
11 After a hearing, the Commission may vacate, modify or make permanent this Temporary Order,  
12 with written findings of fact and conclusions of law. A permanent Order may include ordering  
13 restitution, assessing administrative penalties or other action.

14 If a request for hearing is not timely made, the Division will request that the Commission  
15 make permanent this Temporary Order, with written findings of fact and conclusions of law, which  
16 may include ordering restitution, assessing administrative penalties or other relief.

17 Persons with a disability may request a reasonable accommodation such as a sign language  
18 interpreter, as well as request this document in an alternative format, by contacting Yvonne L.  
19 McFarlin, Executive Assistant to the Executive Secretary, voice phone number 602/542-3931, e-  
20 mail [ymcfarlin@cc.state.az.us](mailto:ymcfarlin@cc.state.az.us). Requests should be made as early as possible to allow time to  
21 arrange the accommodation.

## 22 X.

### 23 ANSWER REQUIREMENT

24 Pursuant to A.A.C. R14-4-305, if any Respondent requests a hearing, the Respondent must  
25 deliver or mail an Answer to this Temporary Order and Notice to Docket Control, Arizona  
26 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within 30 calendar days



1 after the date of service of this Temporary Order to Cease and Desist and Notice of Opportunity  
2 for Hearing,. A Docket Control cover sheet must accompany the Answer. A cover sheet form and  
3 instructions may be obtained from Docket Control by calling (602) 542-3477 or on the  
4 Commission's Internet web site at [www.cc.state.az.us/utility/forms/index.htm](http://www.cc.state.az.us/utility/forms/index.htm).

5 Additionally, the Respondent must serve the Answer upon the Division. Pursuant to  
6 A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a  
7 copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix Arizona,  
8 addressed to Mark Dinell.

9 The Answer shall contain an admission or denial of each allegation in this Temporary  
10 Order and Notice and the original signature of each Respondent or the Respondent's attorney. A  
11 statement of a lack of sufficient knowledge or information shall be considered a denial of an  
12 allegation. An allegation not denied shall be considered admitted.

13 When a Respondent intends in good faith to deny only a part or a qualification of an  
14 allegation, the Respondent shall specify that part or qualification of the allegation and shall admit  
15 the remainder. The Respondent waives any affirmative defense not raised in the answer. The  
16 officer presiding over the hearing may grant relief from the requirement to file an Answer for good  
17 cause shown.

18 BY ORDER OF THE ARIZONA CORPORATION COMMISSION, this 22nd day of July ,  
19 2004.

20 /s/ Matthew J. Neubert

21 Matthew J. Neubert  
22 Director of Securities  
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